

Message Text

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ACTION EB-03

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FOR EB/IFD/OIA; EB/IDD/ISM; AND EUR/RPE

E.O. 11652: N/A
TAGS: EMIN, ETRD, EEC
SUBJECT:OPIC PROPOSAL TO ENCOURAGE NEW MINING INVESTMENTS IN LDCS

1. SUMMARY: OPIC HAS ASKED THE MISSION T SEND EC COMMISSION
PRESIDENT JENKINS A LETTER INDICATING OPIC SUPPORT FOR A REPORT
BY 14 LARGE EUROPEAN MINING COMPANIES. TIS REPORT, INTER
ALIA, ENCOURAGES NEW MINING INVESTMENTS IN LDCS. OPIC SUGGESTS
A MEETING BETWEEN THE COMMISSION, THE MEMBER STATES AND OPIC TO
DISCUSS A POSSIBLE COOPERATIVE EFFORT. WE SEEK ADVICE ON FORWARDING
THE LETTER. END SUMMARY.

2. AMBASSADOR HINTON RECEIVED A LETTER OF JANUARY 21 FROM OPIC
DEPUTY VICE PREIDENT KRAMISH WHICH SUGGESTED THAT THE MISSION
FORWARD THE FOLLOWING LETTER FROM OPIC PRESIDENT MAYS TO
COMMISSION PRESIDENT JENKINS: BEGIN TEXT

DEAR MR. JENKINS:

WE HAVE RECENTLY TAKEN NOTE OF THE PROPOSAL CONVEYED
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TO YOU BY 14 EUROPEAN MINING COMPANIES DURING THE
CREATION OF AN OPIC-TYPE INVESTMENT IN NEW SOURCES OF
RAW MATERIALS. THE REPORT INCLUDES, AMONG OTHER THINGS,
AN ANALYSIS OF OPIC AND PROPOSES THAT A SIMILAR BODY BE
CREATED WITHIN THE COMMUNITY. WHILE THE REPORT CON-
SIDERS EUROPEAN NEEDS TO BE "NARROWER AND MORE URGENT"
THAN OUR OWN, WE TOO ARE MOST INTERESTED IN SECURING

MORE SOURCES OF SUPPLY AS WELL AS IN PROMITING DEVELOPMENT, AND IN THE POSSIBILITIES OF COOPERATING WITH THE COMMUNITY IN THIS RESOURCE SECTOR.

IT MAY BE WORTH NOTING THAT OPIC HAS ON VARIOUS OCCASIONS MADE PROPOSALS FOR RISK SHARING, INCLUDING A PROPOSAL TO THE BERNE UNION CALLING FOR THE ESTABLISHMENT OF AN INTERNATIONAL INVESTMENT REINSURANCE ASSOCIATION (IIRA). THE IIRA WOULD OPERATE TO ACHIEVE DREAD OF RISK WITHOUT, AT THE SAME TIME, INVOLVING DIRECT UNDERWRITING OR ENCROACHING UPON EXISTING NATIONAL PROGRAMS. OPIC IS ALSO PREPARED TO CONSIDER OTHER RISK-SHARING ARRANGMENTS AND IS INTERESTED IN COMMUNITY THINKING ON THE PROPOSED ASSOCIATION. AS THE REPORT NOTES, OPIC HAS DECLARED ITSELF IN FAVOR OF CREATING "A NUMBER OF INSTITUTIONS ABOUT THE INDUSTRIALIZED WORLD ACTING COOPERATIVELY WITH PERHAPS A CENTRAL ASSOCIATION HOUSING AN INTERNATIONAL CORPS OF CONCILIATING CONSULTANTS."

THE REPORT'S DESCRIPTION OF OPIC IS SUBSTANTIALLY CORRECT. HOWEVER, WE DIFFER ON TWO IMPORTANT POINTS. FIRST, WE DO NOT BELIEVE THAT THE EXISTENCE OF INVESTMENT INSURANCE ENCOURAGES GOVERNMENTS TO ENCROACH ON AN INVESTOR'S RIGHTS TO A POINT WHICH WOULD TRIGGER INSURANCE. RATHER, WE SEE THE EXISTENCE OF AN INVESTMENT INSURANCE AS AN ELEMENT OF STABILITY IN RAPIDLY CHANGING POLITICAL ENVIRONMENTS, ALL THE MORE WHEN MULTILATERAL INSURANCE PARTICIPATION IS INVOLVED. LIMITED OFFICIAL USE

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MANY INVESTORS HAVE, IN FACT, USED THEIR INSURANCE EFFECTIVELY TO DISCOURAGE RENEGOTIATION OR OTHER DESTABILIZING EFFORTS ON THE PART OF LOCAL GOVERNMENTS. SECONDLY, ALTHOUGH OPIC'S CONTRACT DOES NOT PROVIDE COVERAGE FOR PARTIAL EXPROPRIATION, IT DOES HOWEVER COVER THE INVESTOR IN CASES OF CREEPING AS WELL AS ALL-OUT EXPROPRIATION IF THE INVESTOR FINDS IT IMPOSSIBLE TO CONTINUE THE PROJECT. THE REPORT INCLUDES SEVERAL FACTUAL ERRORS WHICH CAN BE CORRECTED BY REFERENCE TO THE MATERIALS ENCLOSED FOR YOUR INFORMATION.

WE IN OPIC HAVE BECOME AWARE OF THE INCREASING COST OF PROJECTS AND THE DECLINE IN INVESTMENT CAPITAL AVAILABLE FOR MINING IN DEVELOPING COUNTRIES. RECENTLY, WE MET WITH REPRESENTATIVES OF U.S. MINING COMPANIES WHICH CONFIRMED OUR IMPRESSIONS AND WHICH EMPHASIZED THAT POLITICAL RISK, AS WELL AS COST, IS AMONG THE PRINCIPAL FACTORS IN THIS DECLINE. U.S. MINING COMPANIES

AGREE WITH THEIR EUROPEAN COUNTERPARTS ON THE NEED FOR SOME COOPERATIVE RISK-SHARING APPROACH IN DEALING WITH THE PROBLEM.

WE IN OPIC ARE KEENLY INTERESTED IN LEARNING THE REACTION OF THE COMMISSION AND OF MEMBER EC GOVERNMENTS TO THE MINING COMPANY PROPOSAL, AS WELL AS TO THE POSSIBILITY OF COOPERATION BETWEEN THE COMMUNITY AND OPIC. WE ANTICIPATE THAT THERE MIGHT BE MUTUAL ADVANTAGE TO A MEETING IN THE NEAR FUTURE BETWEEN REPRESENTATIVES OF THE COMMISSION, MEMBER GOVERNMENTS, AND OPIC. IF SUCH A MEETING ESTABLISHES GENERAL RECEPTIVITY TO THE COMPANY PROPOSAL AND TO US-EC COOPERATION, POSSIBLY A JOINT EFFORT OF THE COMMUNITY, U.S. GOVERNMENT, AND COMPANY REPRESENTATIVES MIGHT BE ALUNCHED TO WORK OUT MORE SPECIFIC ACTION PROPOSALS.

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WE LOOK FORWARD TO DISCUSSING THIS IMPORTANT TOPIC WITH YOU AT AN EARLY DATE. END TEXT.

3. ACTION REQUESTED -- WASHINGTON ADVICE ON FORWARDING THE LETTER. WE WOULD LIKE TO TRANSMIT IT TO THE COMMISSION IF THE DEPARTMENT IS WILLING. IF WASHINGTON BELIEVES THE LETTER SHOULD BE FORWARDED, WE REQUEST FURTHER BACKGROUND INFORMATION IN ORDER TO ANSWER QUESTIONS WE EXPECT TO BE POSED, PARTICULARLY ON THE KINDS OF SPECIFIC ACTION PROPOSALS OPIC HAS IN MIND FOR JOINT US/EC EFFORTS, AS MENTIONED IN LETTER'S LAST PARAGRAPH. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINING, FOREIGN INVESTMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Jan-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ECBRU00889
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770031-0898
Format: TEL
From: EC BRUSSELS
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977019/aaaaahuw.tel
Line Count: 152
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4e8e84de-c288-dd11-92da-001cc4696bcc
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Original Handling Restrictions: STADIS, LIMDIS
Original Previous Classification: n/a
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Status: NATIVE
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TAGS: EMIN, ETRD, BE, EEC, OPIC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4e8e84de-c288-dd11-92da-001cc4696bcc
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